

Message Text

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PAGE 01 STATE 078555
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MONTREAL PASS USREP ICAO

E.O. 11652: N/A

TAGS: EAIR, FR, CA

SUBJECT: CIVAIR: MEETINGS ON BILATERAL AND CHARTER
ISSUES; MLS

1. DEPASTSEC ATWOOD AND EMBOFF MET WITH FRENCH OFFICIALS
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PAGE 02 STATE 078555

ON MARCH 24 FOR INFORMAL DISCUSSIONS ON VARIOUS AVIATION
ISSUES.

2. ATWOOD BRIEFED FRENCH ON GENERAL US PHILOSOPHY ON
COMPETITION, EMPHASIZING THAT POLICY COULD BENEFIT BOTH
FRENCH CONSUMERS AND AIRLINES, PARTICULARLY IF THE LATTER
WISHED TO BE AGGRESSIVE IN THE MARKETPLACE. FRENCH

EXPRESSED STRONG DISAGREEMENT WITH US APPROACH, STATING BELIEF THAT THE POLICY WAS INTENDED PRINCIPALLY FOR BENEFIT OF US CARRIERS, WHICH TEND TO HAVE LOWER COSTS THAN EUROPEAN CARRIERS BURDENED BY GOVERNMENT LABOR AND PROCUREMENT POLICIES. IT WAS ALSO STATED THAT FRENCH COULD NOT POLITICALLY ACCEPT LESS THAN A 50 PERCENT MARKET SHARE IN NORTH ATLANTIC. AIR FRANCE IS NOT PRESENTLY PROFITABLE ON US ROUTES, ALTHOUGH LEVEL OF LOSSES IS MUCH REDUCED FROM SEVERAL YEARS AGO.

3; ON CHARTERS, US EXPRESSED CONCERN ON IMPACT OF LOW

FARES ON CHARTER OPERATIONS, PARTICULARLY IN LIGHT OF RESTRICTIVE FRENCH POSITION ON CHARTER RULES AND MINIMUM RATES. FRENCH RESPONDED, AS HAD GERMANS IN SIMILAR DISCUSSIONS PREVIOUS DAY, THAT CHARTERS PROSPERED IN 1977 WHILE SCHEDULED SERVICES WERE FLAT. THEY FEEL THERE IS CURRENT IMBALANCE IN FAVOR OF CHARTERS, AND ARE DISTURBED PARTICULARLY SINCE VAST BULK OF CHARTER OPERATIONS ARE BY US CARRIERS. FRENCH STATED, HOWEVER, THAT THEY WOULD TAKE A FLEXIBLE POSITION ON MINIMUM CHARTER RATES IF AIR FRANCE APEX AND MID-WEEK FARES WERE APPROVED. CHARTER RATES A FEW PERCENTAGE POINTS BELOW MINIMUMS WOULD BE APPROVED WITHOUT FUSS, AND RATES IN THE RANGE OF 10 TO 12 PERCENT BELOW WOULD BE CONSIDERED ON AD HOC BASIS. FILINGS 30 PERCENT BELOW WOULD BE REGARDED AS CLEARLY LIMITED OFFICIAL USE

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PAGE 03 STATE 078555

UNREASONABLE. FRENCH REJECT ABSOLUTELY THE NOTION OF COUNTRY-OF-ORIGIN RULES AND COUNTRY-OF-ORIGIN PRICE REGULATION.

4. IN LIGHT OF US REQUIREMENT OF AD HOC AGREEMENT AS A CONDITION FOR APPROVAL OF AIR FRANCE'S WINTER APEX FARE AND PRESENT LACK OF USCAB APPROVAL FOR SUMMER APEX AND MID-WEEK FARES, FRENCH EXPRESSED SKEPTICISM ABOUT AVOWED US POSITION IN FAVOR OF LOW SCHEDULED FARES. ATWOOD STATED HE EXPECTED US APPROVAL OF NEW AIR FRANCE FILINGS. FRENCH STATED THAT THEIR EXPRESSIONS OF DISSATISFACTION FOR US CARRIER NORTH ATLANTIC FARES WOULD THEN BE PROMPTLY WITHDRAWN. FRENCH ADDED THAT, UNDER THEIR VIEW OF US-GOF BILATERAL, NEITHER SIDE COULD REJECT A TARIFF WITHOUT A FULL SUSPENSION OF SERVICE.

5. US TEAM PROVIDED FRENCH LEGAL MEMORANDUM PREPARED BY NATIONAL ON ITS DESIRES TO SERVE CHARLES DEGAULLE AIRPORT RATHER THAN ORLY. US ENDORSED MEMORANDUM AND ASKED FOR FRENCH RESPONSE.

6. THERE WAS GENERAL DISCUSSION OF CURRENT BILATERAL

DISPUTES ON PAN AM'S CHANGE OF GUAGE IN LONDON, GENEVA-NICE BLIND SECTOR, AND FIFTH-FREEDOM OPERATIONS BY TWA. US ASKED, BUT WAS REFUSED, EXTENSION OF MARCH 31 DEADLINE ON TWA BLIND SECTOR QUESTION.

7. ON MLS, US TEAM ASKED LIKELY FRENCH POSITION AT APRIL ICAO MEETING. RESPONSE WAS THAT FRENCH TENDED TO FAVOR US TO UK SYSTEM, AND MAIN CONCERN WAS TO AVOID AN EARLY (AND COSTLY) INTRODUCTION OF MLS TECHNOLOGY. FRENCH APPEARED TO AGREE THAT TIMING OF ICAO DECISION WAS DIFFERENT ISSUE FROM TIMING OF INTRODUCTION OF MLS

TECHNOLOGY, AND SHOWED NO EVIDENCE OF A DESIRE TO AVOID LIMITED OFFICIAL USE

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ICAO DECISION IN APRIL. VANCE

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